

## **Appendix Exhibit 68**

K&L GATES LLP  
Artoush Varshosaz (TX Bar No. 24066234)  
1717 Main Street, Suite 2800  
Dallas, TX 75201  
Tel: (214) 939-5659  
artoush.varshosaz@klgates.com

Stephen G. Topetzes (*pro hac vice*)  
1601 K Street, NW  
Washington, DC 20006-1600  
Tel: (202) 778-9328  
stephen.topetzes@klgates.com

James A. Wright III (*pro hac vice*)  
1 Lincoln Street  
Boston, MA 02110  
Tel: (617) 261-3193  
james.wright@klgates.com

*Counsel for Highland Capital Management Fund Advisors, L.P.,  
NexPoint Advisors, L.P., Highland Income Fund, NexPoint  
Strategic Opportunities Fund, and NexPoint Capital, Inc.*

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

	)	
In re:	)	Chapter 11
	)	
HIGHLAND CAPITAL MANAGEMENT, L.P.	)	Case No. 19-34054 (SGJ11)
	)	
Debtors.	)	(Jointly Administered)
	)	
	)	

**MOTION FOR ORDER IMPOSING TEMPORARY  
RESTRICTIONS ON DEBTOR’S ABILITY, AS PORTFOLIO  
MANAGER, TO INITIATE SALES BY NON-DEBTOR CLO VEHICLES**

Highland Capital Management Fund Advisors, L.P. (“**HCMFA**”) and NexPoint Advisors, L.P. (“**NexPoint**”, and together with HCMFA, the “**Advisors**”), and Highland Income Fund, NexPoint Strategic Opportunities Fund, and NexPoint Capital, Inc. (together, the

“**Funds**”), by and through their undersigned counsel, hereby submit this motion for an order of the Court under Bankruptcy Code §§ 105(a), 363, and 1107 imposing temporary restrictions on Highland Capital Management, L.P.’s (the “**Debtor**”) ability to initiate sales as portfolio manager (or other similar capacity) for certain non-debtor investment vehicles (the “**CLOs**”). In support of the Motion, the Funds and Advisors submit the Declaration of Dustin Norris (the “**Declaration**”) attached hereto and state as follows:

### **BACKGROUND**

#### **A. General Background on the Advisors and their Advised Funds**

1. Each Advisor is registered with the U.S. Securities and Exchange Commission (“**SEC**”) as an investment advisor under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”).

2. Each of the Advisors advises several funds, including the Funds. Each of the Funds is a registered investment company or business development company under the Investment Company Act of 1940 (as amended, the “**1940 Act**”).

3. As an investment company or business development company, each Fund is overseen by a majority independent board of trustees subject to 1940 Act requirements. That board reviews and approves contracts with one of the Advisors for the respective Fund. The Funds do not have employees. Instead, each Fund relies on its respective Advisor, acting pursuant to advisory agreements, to provide the services necessary to the Fund’s operations.

#### **B. The CLOs**

4. The CLOs are Aberdeen Loan Funding, Ltd., Brentwood CLO, Ltd., Eastland CLO, Ltd., Gleneagles CLO, Ltd., Grayson CLO, Ltd., Greenbriar CLO, Ltd., Jasper CLO, Ltd., Liberty CLO, Ltd., Red River CLO, Ltd., Rockwall CDO, Ltd., Rockwall CDO II Ltd.,

Southfork CLO, Ltd., Stratford CLO Ltd., Loan Funding VII, LLC, and Westchester CLO, Ltd.

5. The CLOs are securitization vehicles formed to acquire and hold pools of debt obligations. They also issued various tranches of notes and preference shares, which are intended to be repaid from proceeds of the subject CLO's pool of debt obligations. The notes issued by the CLOs are paid according to a contractual waterfall, with the value remaining in the CLO after the notes are fully paid flowing to the holders of the preference shares.

6. The CLOs were created many years ago. Most of the CLOs are, at this point, past their reinvestment period and have paid off all the tranches of notes or, in a few instances, all but the last and most junior tranche. Accordingly, most of the economic value remaining in the CLOs, and all of the upside, belongs to the holders of the preference shares. The repayment status of the notes in the CLOs as of November 2020 is shown on Exhibit A to the Declaration, and the Funds' collective ownership of the preference shares is shown on Exhibit B to the Declaration. As shown on Exhibit B, the Funds hold a majority of the preference shares in three of the CLOs, Grayson CLO, Ltd., Greenbriar CLO, Ltd., and Stratford CLO Ltd., and material interests in most of the other CLOs.

7. The CLOs have each separately contracted for the Debtor to serve as the CLO's portfolio manager.<sup>1</sup> In this capacity, the Debtor is responsible, among other things, for making decisions to sell the CLOs' assets. Although the portfolio management agreements vary, the agreements generally impose a duty on the Debtor when acting as portfolio manager to maximize the value of the CLO's assets for the benefit of the CLO's noteholders and preference

---

<sup>1</sup> The title given to the Debtor by the CLOs varies from CLO to CLO based on the relevant agreements, but the Debtor has the same general rights and obligations for each CLO. In this Motion, the Funds and Advisors have used the term "portfolio manager" when referring to the Debtor's role for each CLO regardless of the precise title in the underlying documents.

shareholders.

**C. The Operating Protocols**

8. As part of the resolution of certain disputes between the Debtor and the Official Committee of Unsecured Creditors (the “**Committee**”), the Debtor is operating under the restrictions and provisions of certain operating protocols (the “**Operating Protocols**”) approved by the Court. See Notice of Debtor’s Amended Operating Protocols (Docket No. 466). Among other things, the Operating Protocols include provisions regulating the Debtor’s actions on behalf of other entities. With respect to the CLOs, however, the Operating Protocols generally exempt the Debtor from the regular approval process involving the Committee where the Debtor acts as portfolio manager for the CLOs. See, e.g., Operating Protocols at § IV(B)(3)(a).

**C. Recent Asset Sales and the Advisors’ Requests for a Temporary Pause in Sales**

9. The Court recently approved the Debtor’s Disclosure Statement for the Fifth Amended Plan of Reorganization of Highland Capital Management, L.P. (Docket No. 1473) (the “Disclosure Statement”).

10. The Disclosure Statement discusses the Debtor’s role as portfolio manager for the CLOs (which the Disclosure Statement defines as “Issuers”) in Article II(U) (pg. 32). After explaining the Debtor’s role and noting some proofs of claim filed by the CLOs, the Disclosure Statement states as follows:

The Issuers have taken the position that the rejection of the Portfolio Management Agreements (including any ancillary documents) would result in material rejection damages and have encouraged the Debtor to assume such agreements. Nonetheless, the Issuers and the Debtor are working in good faith to address any outstanding issues regarding such assumption. The Portfolio Management Agreements may be assumed either pursuant to the Plan or by separate motion filed with the Bankruptcy Court.

The Debtor is still assessing its options with respect to the Portfolio Management Agreements, including whether to assume the Portfolio Management Agreements.

11. The Financial Projections attached as Exhibit C to the Disclosure Statement make clear that, assuming confirmation of the Debtor's chapter 11 plan in its current form, the Debtor intends to liquidate its remaining assets over the next two years, concluding in December 2022.

12. The Funds and Advisors do not agree with recent sales executed by the Debtor in certain CLOs, including sales during the historically light Thanksgiving trading week, because the Funds and Advisors view those assets as having greater value if held as long-term investments. When the Advisors became aware the Debtor was considering these transactions, NexPoint requested that the Debtor not consummate the sales.

13. NexPoint has requested in two letters that the Debtor refrain from causing the CLOs to sell further assets without prior notice and consent of NexPoint. Counsel to the Funds and Advisors has also requested by email that the Debtor agree consensually to temporarily suspend further sales of the CLOs' assets and/or confirm that the Debtor is not presently planning further sales in the immediate future. The Debtor has refused these requests.

**D. HCMLP Decisions Illustrating Its Short-Term Approach**

14. Consistent with its proposal to liquidate all of its assets by the end of 2022 per the Disclosure Statement, HCMLP has engaged in transactions taking a short-term approach to value.

15. In addition to the sales noted above during Thanksgiving week, during the chapter 11 case, the Debtor has directed the disposition of other assets in a manner that suggests a focus on quick monetization at the expense of maximizing returns for investors and/or the

estate. For example, Debtor-controlled entities sold a collective majority interest in an unsecured term loan to OmniMax International, Inc. Other non-Debtor controlled entities, advised by the Advisors, were able to secure a substantially better price for their stake in the same asset by being willing to hold it and transacting at a later date. Given the Debtor-controlled entities large ownership in the unsecured loan, the Advisors believe the Debtor was well-positioned to realize a higher price.

16. Also, upon information and belief, the Debtor, through its wholly owned subsidiary Trussway Holdings, LLC (“**Trussway**”), consummated a sale transaction where Trussway sold a division, SSP Holdings, LLC, in which Trussway had a majority interest. Upon information and belief, the sale was conducted without a formal competitive bidding process and resulted in a loss of \$10 million, despite certain metrics of SSP Holdings, LLC having improved materially since it was acquired in 2014.

### **REQUEST FOR RELIEF**

17. The Funds and Advisors request that the Court, under Bankruptcy Code sections 105(a), 363, and 1107(a) impose a temporary restriction on the Debtor’s ability, as portfolio manager, to cause the CLOs to sell assets. The Funds and Advisors request that the Court prohibit the Debtor from authorizing any such sales for a period of 30 days, absent further order of the Court.

18. Bankruptcy Code section 363 governs the Debtor’s use of estate property. 11 U.S.C. § 363. Section 363 authorizes the Debtor to use that property outside of the ordinary course of business “after notice and a hearing,” and in the ordinary course of business without notice and a hearing “unless the court orders otherwise . . . .” 11 U.S.C. § 363(b-c). Bankruptcy Code section 1107(a) grants the Debtor, as debtor-in-possession, the powers of a chapter 11 trustee, subject to “such limitations or conditions as the court prescribes . . . .” 11 U.S.C.

§ 1107(a). And Bankruptcy Code section 105(a) empowers the Court to “issue any order, process, or judgment that is necessary or appropriate to carry out the provisions” of the Bankruptcy Code. 11 U.S.C. § 105(a).

19. Consistent with these powers, the Court implemented the Operating Protocols earlier in this case regarding the Debtor’s actions on behalf of other non-debtor entities. Unlike where the Debtor directs sales of assets for other entities, however, the Operating Protocols generally do not restrict the Debtor’s actions as portfolio manager for the CLOs. See Operating Protocols at IV(B)(3)(a).<sup>2</sup> The Funds and Advisors submit that the relief requested does not conflict with the Operating Protocols, but to the extent necessary, the Funds and Advisors request that the Court modify the Operating Protocols in the limited and temporary way requested in this Motion.

20. The Funds and Advisors seek this relief to preserve the status quo at the CLOs while the Funds and Advisors explore replacing the Debtor as portfolio manager either

---

<sup>2</sup> Section IV(B)(3)(a) (Transactions involving entities that the Debtor manages but in which the Debtor does not hold a direct or indirect interest)(Operating Requirements)(Third Party Transactions: All Stages) provides in full:

**Except (x) as set forth in (b) and (c) below and (y) for any Transaction involving a Specified Entity and the sale or purchase by such Specified Entity of an asset that is not an obligation or security issued or guaranteed by any of the Debtor, a Related Entity or a fund, account, portfolio company owned, controlled or managed by the Debtor or a Related Entity, where such Transaction is effected in compliance with the collateral management agreement to which such Specified Entity is party, any Transaction that decreases the NAV of an entity managed by the Debtor in excess of the greater of (i) 10% of NAV or (ii) \$3,000,000 requires five business days advance notice to Committee and if the Committee objects, the burden is on the Debtor to seek Court approval, which the Committee agrees may be sought on an expedited basis.**

(emphasis added). “Specified Entity” is defined in section I(K) of the Operating Protocols to include the CLOs referenced in this Motion.



consensually or through the contractual processes laid out in the relevant underlying agreements.

21. In the Disclosure Statement, the Debtor states that it has not determined if it wants to continue to serve as portfolio manager for the CLOs. The Debtor also has not sought input from the Funds and Advisers, even though the Funds are among the largest stakeholders indirectly and significantly affected by the Debtor's actions with respect to the CLOs.

22. The Advisers Act places a fiduciary duty on investment advisers comprising a duty of care and duty of loyalty. See, e.g., SEC Release No. IA-3248, "Commission Interpretation Regarding Standard of Conduct for Investment Advisers," (July 12, 2019). This means an adviser, like the Debtor, must, at all times, serve the best interest of its client and not subordinate its client's interest to its own. See id. This combination of care and loyalty obligations has been characterized as requiring the investment adviser to act in the "best interest" of its client at all times. See SEC v. Tambone, 550 F.3d 106, 146 (1st Cir. 2008) ("Section 206 imposes a fiduciary duty on investment advisers to act at all times in the best interest of the fund . . . ."); SEC v. Moran, 944 F. Supp. 286, 297 (S.D.N.Y. 1996) ("Investment advisers are entrusted with the responsibility and duty to act in the best interest of their clients.").

23. Although the Debtor's nominal "clients" are the CLOs themselves, the true parties in interest are the holders of beneficial interests in the CLOs, such as the Funds. Most or all of the other layers of CLO interests have been paid out, and the Funds hold either the majority or a substantial portion of most of the remaining CLO interests. In these circumstances, the Funds and the other preference shareholders are the parties who are economically affected by the Debtor's actions as portfolio manager.

24. The Funds and Advisors believe replacing the Debtor as portfolio manager is appropriate in light of the reduced staffing the Debtor anticipates having once the Debtor's chapter 11 plan goes effective. The Funds and Advisors also believe it is appropriate in light of the Debtor's reduced investment time horizon under the chapter 11 plan. As noted above, the Debtor intends to liquidate its investments in the next two years. The Funds, on the other hand, have a much longer investment time horizon and, as a result, have very different financial incentives with respect to their investments. The Funds and Advisors accordingly believe that the Funds and the other preference shareholders would be best served by a portfolio manager with a similar long-term perspective.

25. Upon information and belief, none of the CLOs needs liquidity at the current time, as the next quarterly waterfall payments are not due until February 2021. The Funds and Advisors accordingly submit that none of the CLOs, the other holders of preference shares and notes issued by the CLOs, or the Debtor will be harmed by the temporary restriction proposed by this Motion. Notably, the Funds and Advisors are not seeking to restrict the Debtor from performing any of its other functions for the CLOs or to modify the Debtor's compensation from the CLOs in any way.

*[Remainder of Page Intentionally Left Blank]*

## **CONCLUSION**

26. For the reasons set forth above, the Funds and Advisors respectfully request that the Court grant the relief requested in the Motion and such other and further relief as the Court deems just and proper.

Dated: December 8, 2020

K&L GATES LLP

/s/ Artoush Varshosaz

Artoush Varshosaz (TX Bar No. 24066234)  
1717 Main Street, Suite 2800  
Dallas, TX 75201  
Tel: (214) 939-5659  
artoush.varshosaz@klgates.com

Stephen G. Topetzes (*pro hac vice*)  
1601 K Street, NW  
Washington, DC 20006-1600  
Tel: (202) 778-9328  
stephen.topetzes@klgates.com

James A. Wright III (*pro hac vice*)  
1 Lincoln Street  
Boston, MA 02110  
Tel: (617) 261-3193  
james.wright@klgates.com

*Counsel for Highland Capital Management Fund  
Advisors, L.P., NexPoint Advisors, L.P.,  
Highland Income Fund, NexPoint Strategic  
Opportunities Fund, and NexPoint Capital, Inc.*

**CERTIFICATE OF SERVICE**

I hereby certify that on December 8, 2020, I caused the foregoing document to be served via first class United States mail, postage prepaid and/or electronic email through the Court's CM/ECF system to the parties that consented to such service, as each are listed in the debtor's service list filed at docket entry 1442, Exhibits A and B.

This the 8th day of December, 2020

/s/ Artoush Varshosaz  
Artoush Varshosaz

**CERTIFICATE OF CONFERENCE**

I hereby certify that on December 7, 2020, I conferred with Mr. Greg Demo, counsel for the Debtors, regarding the relief requested in the motion. Mr. Demo informed me that the Debtors do not consent to the relief sought in the motion.

This the 8th day of December, 2020

/s/ James A. Wright III  
James A. Wright III

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

	)	
In re:	)	Chapter 11
	)	
HIGHLAND CAPITAL MANAGEMENT, L.P.	)	Case No. 19-34054 (SGJ11)
	)	
Debtors.	)	(Jointly Administered)
	)	
	)	

**DECLARATION OF DUSTIN NORRIS**

I, Dustin Norris, hereby declare pursuant to 28 U.S.C. § 1746, that the following is true and correct.

1. I am the Executive Vice President of NexPoint Advisors, L.P. (“**NexPoint**”).
2. I submit this Declaration based on my personal knowledge and information supplied to me by other members of NexPoint’s management. I submit this Declaration in support of the Motion for Order Imposing Temporary Restrictions on Debtor’s Ability, as Portfolio Manager, to Initiate Sales by Non-Debtor CLO Vehicles (the “Motion”) by NexPoint, Highland Capital Management Fund Advisors, L.P. (“**HCMFA**”, and together with NexPoint, the “**Advisors**”), Highland Income Fund, NexPoint Strategic Opportunities Fund, and NexPoint Capital, Inc. (together, the “**Funds**”).
3. The Motion concerns the following non-debtor investment vehicles: Aberdeen Loan Funding, Ltd., Brentwood CLO, Ltd., Eastland CLO, Ltd., Gleneagles CLO, Ltd., Grayson CLO, Ltd., Greenbriar CLO, Ltd., Jasper CLO, Ltd., Liberty CLO, Ltd., Red River CLO, Ltd., Rockwall CDO, Ltd., Rockwall CDO II Ltd., Southfork CLO, Ltd., Stratford CLO Ltd., Loan Funding VII, LLC, and Westchester CLO, Ltd. (collectively, the “**CLOs**”).

4. The Funds each hold interests in the CLOs.

5. The CLOs are securitization vehicles formed to acquire and hold pools of debt obligations. They also issued various tranches of notes and preference shares, which are intended to be repaid from proceeds of the subject CLO's pool of debt obligations. The notes issued by the CLOs are paid according to a contractual waterfall, with the value remaining in the CLO after the notes are fully paid flowing to the holders of the preference shares.

6. The CLOs were created many years ago. Most of the CLOs are, at this point, past their reinvestment period and have paid off all the tranches of notes or, in a few instances, all but the last and most junior tranche. Accordingly, most of the economic value remaining in the CLOs, and all of the upside, belongs to the holders of the preference shares. The repayment status of the notes in the CLOs as of November 2020 is shown on Exhibit A hereto, and the Funds' collective ownership of the preference shares is shown on Exhibit B hereto.

7. The CLOs have each separately contracted for Highland Capital Management, L.P. (the "**Debtor**") to serve as the CLO's portfolio manager. The title given to the Debtor by the CLOs varies from CLO to CLO based on the relevant agreements, but the Debtor has the same general rights and obligations for each CLO. In this capacity, the Debtor is responsible, among other things, for making decisions to sell the CLOs assets. Although the portfolio management agreements vary, the agreements generally impose a duty on the Debtor when acting as portfolio manager to maximize the value of the CLO's assets for the benefit of the CLO's noteholders and preference shareholders.

8. During the chapter 11 case, the Debtor has directed the disposition of other assets in a manner that suggests a focus on quick monetization at the expense of maximizing returns for investors and/or the estate. For example, Debtor-controlled entities sold a collective majority

interest in an unsecured term loan to OmniMax International, Inc. Other non-Debtor controlled entities, advised by the Advisors, were able to secure a substantially better price for their stake in the same asset by being willing to hold it and transacting at a later date. Given the Debtor-controlled entities large ownership in the unsecured loan, the Advisors believe the Debtor was well-positioned to realize a higher price.


9. Also, upon information and belief, the Debtor, through its wholly owned subsidiary Trussway Holdings, LLC (“**Trussway**”), consummated a sale transaction where Trussway sold a division, SSP Holdings, LLC, in which Trussway had a majority interest. Upon information and belief, the sale was conducted without a formal competitive bidding process and resulted in a loss of \$10 million, despite certain metrics of SSP Holdings, LLC having improved materially since it was acquired in 2014.

10. The Advisors did not agree with the Debtor’s decision to execute recent sales for certain of the CLOs, because the Advisors viewed those assets as having greater value if held as long-term investments. When the Advisors became aware the Debtor was considering these transactions, NexPoint requested that the Debtor not consummate the sales.

11. Upon information and belief, none of the CLOs need liquidity at the current time, as the next quarterly waterfall payments are not due until February 2021.

I declare under the penalty of perjury under the laws of the United States that the foregoing is true and correct.

Executed this 8<sup>th</sup> day of December, 2020, in Allen, Texas,

By:   
Dustin Norris

**EXHIBIT A**



**CLO Note Repayment Status<sup>1</sup>**

Aberdeen Loan Funding, Ltd.

<b><u>Security</u></b>	<b><u>CUSIP</u></b>	<b><u>Remaining Balance</u></b>
Class A Notes	00306LAA2	\$0
Class B Notes	00306LAB0	\$0
Class C Notes	00306LAC8	\$0
Class D Notes	00306LAD6	\$0
Class E Notes	00306MAA0	\$0
Class I Preference Shares	00306M201	\$12,000,000.00
Class II Preference Shares	00306M300	\$36,000,000.00

Brentwood CLO, Ltd.

<b><u>Security</u></b>	<b><u>CUSIP</u></b>	<b><u>Remaining Balance</u></b>
Class A-1A Notes	107265AA8	\$0
Class A-1B Notes	107265AM2	\$0
Class A-2 Notes	107265AC4	\$0
Class B Notes	107265AE0	\$0
Class C Notes	107265AG5	\$0
Class D Notes	107265AK5	\$10,279,258.35
Class I Preference Shares	107264202	\$34,400,000.00
Class II Preference Shares	107264400	\$37,000,000.00

Eastland CLO, Ltd.

<b><u>Security</u></b>	<b><u>CUSIP</u></b>	<b><u>Remaining Balance</u></b>
Class A-1 Notes	277345AA2	\$0
Class A-2a Notes	277345AC8	\$0
Class A-2b Notes	277345AE4	\$0
Class A-3 Notes	277345AG9	\$0
Class B Notes	277345AJ3	\$0
Class C Notes	277345AL8	\$0
Class D Notes	27734AAA1	\$3,251,287.27
Class I Preference Shares	27734A202	\$85,000,000.00
Class II Preference Shares	27734A400	\$38,500,000.00

---

<sup>1</sup> As of December 1, 2020.

Gleneagles CLO, Ltd.

<b><u>Security</u></b>	<b><u>CUSIP</u></b>	<b><u>Remaining Balance</u></b>
Class A-1 Notes		\$0
Class A-2 Notes		\$0
Class B Notes		\$0
Class C Notes		\$0
Class D Notes		\$0
Class 1 Combination Notes		\$0
Class 2 Combination Notes		\$0
Preference Shares	37866PAB5 & G39165AA6	\$91,000,000.00

Grayson CLO, Ltd.

<b><u>Security</u></b>	<b><u>CUSIP</u></b>	<b><u>Remaining Balance</u></b>
Class A-1a Notes	389669AA0	\$0
Class A-1b Notes	389669AB8	\$0
Class A-2 Notes	389669AC6	\$0
Class B Notes	389669AD4	\$0
Class C	389669AE2	\$0
Class D	389668AA2	\$9,011,534.74
Class I Preference Shares	389669203	\$52,500,000.00
Class II Preference Shares	389669302	\$75,000,000.00

Greenbriar CLO, Ltd.

<b><u>Security</u></b>	<b><u>CUSIP</u></b>	<b><u>Remaining Balance</u></b>
Class A Notes	393647AA0	\$0
Class B Notes	393647AB8	\$0
Class C Notes	393647AC6	\$0
Class D Notes	393647AD4	\$0
Class E Notes	39364PAA0	\$0
Class I Preference Shares	39364P201	\$20,000,000.00
Class II Preference Shares	39364P300	\$60,000,000.00

Jasper CLO, Ltd.

<b><u>Security</u></b>	<b><u>CUSIP</u></b>	<b><u>Remaining Balance</u></b>
Class A Notes		\$0
Class B Notes		\$0
Class C Notes		\$0
Class D-1 Notes		\$0
Class D-2 Notes		\$0
Preference Shares	471315200	\$70,000,000.00

Liberty CLO, Ltd.

<b><u>Security</u></b>	<b><u>CUSIP</u></b>	<b><u>Remaining Balance</u></b>
Class A-1a Notes		\$0
Class A-1b Notes		\$0
Class A-1c Notes		\$0
Class A-2 Notes		\$0
Class A-3 Notes		\$0
Class A-4 Notes		\$0
Class B Notes		\$0
Class C Notes		\$0
Class Q-1 Notes		\$0
Class P-1 Notes		\$0
Class E Certificates	EP0175232 & 530360205	\$94,000,000.00

Red River CLO, Ltd.

<b><u>Security</u></b>	<b><u>CUSIP</u></b>	<b><u>Remaining Balance</u></b>
Class A Notes	75686VAA2	\$0
Class B Notes	75686VAB0	\$0
Class C Notes	75686VAC8	\$0
Class D Notes	75686VAD2	\$0
Class E Notes	75686XAA8	\$0
Class I Preference Shares	75686X209	\$36,000,000.00
Class II Preference Shares	75686X308	\$45,000,000.00

Rockwall CDO, Ltd.

<b><u>Security</u></b>	<b><u>CUSIP</u></b>	<b><u>Remaining Balance</u></b>
Class A-1LA Notes	774262AA7	\$0
Class A-1LB Notes	774262AB5	\$0
Class A-2L Notes	774262AC3	\$0
Class A-3L Notes	774262AD1	\$0
Class A-4L Notes	774262AE9	\$0
Class B-1L Notes	774262AF6	\$0
Class X Notes	774262AG4	\$0
Class I Preference Shares	774272207	\$33,200,000.00
Class II Preference Shares	774261127	\$45,000,000.00

Rockwall CDO II Ltd.

<b><u>Security</u></b>	<b><u>CUSIP</u></b>	<b><u>Remaining Balance</u></b>
Class A-1LA Notes	77426NAA1	\$0
Class A-1LB Notes	77426NAB9	\$0
Class A-2L Notes	77426NAC7	\$0
Class A-3L Notes	77426NAD5	\$0
Class B-1L Notes	77426NAE3	\$0
Class B-2L Notes	77426RAA2	\$9,838,508.11
Class I Preference Shares	77426R203	\$42,200,000.00
Class II Preference Shares	77426R401	\$44,000,000.00

Southfork CLO, Ltd.

<b><u>Security</u></b>	<b><u>CUSIP</u></b>	<b><u>Remaining Balance</u></b>
Class A-1a Notes		\$0
Class A-1b Notes		\$0
Class A-1g Notes		\$0
Class A-2 Notes		\$0
Class A-3a Notes		\$0
Class B Notes		\$0
Class C Notes		\$0
Preference Shares	84427P202	\$80,200,000.00
Class I Composite Note		\$2,000,000.00

Stratford CLO Ltd.

<b><u>Security</u></b>	<b><u>CUSIP</u></b>	<b><u>Remaining Balance</u></b>
Class A-1 Notes	86280AAA5	\$0
Class A-2 Notes	86280AAC1	\$0
Class B Notes	86280AAD9	\$0
Class C Notes	86280AAE7	\$0
Class D Notes	86280AAF4	\$0
Class E Notes	86280AAG2	\$0
Class I Preference Shares	86280A202	\$17,500,000.00
Class II Preference Shares	86280A301	\$45,500,000.00

Loan Funding VII, LLC (aka Valhalla)

<b><u>Security</u></b>	<b><u>CUSIP</u></b>	<b><u>Remaining Balance</u></b>
Class A-1-A Notes		
Class A-2 Notes		
Class B Notes		
Class C-1 Notes		
Class C-2 Notes		
Class I Preference Shares	91914QAA4	\$82,000,000.00

Westchester CLO, Ltd.

<b><u>Security</u></b>	<b><u>CUSIP</u></b>	<b><u>Remaining Balance</u></b>
Class A-1-A Notes	95736XAA6	\$0
Class A-1-B Notes	95736XAB4	\$0
Class B Notes	95736XAD0	\$0
Class C Notes	95736XAE8	\$0
Class D Notes	95736XAF5	\$0
Class E Notes	95736XAG3	\$9,141,575.05
Class I Preference Shares	95736T206	\$80,000,000.00

**EXHIBIT B**

**Holdings of Preference Shares<sup>1</sup> in CLOs**

<b><u>CLO</u></b>	<b><u>HIF</u></b>	<b><u>NSOF</u></b>	<b><u>NC</u></b>	<b><u>Total</u></b>
Aberdeen	0%	30.21%	0%	<b>30.21%</b>
Brentwood	0%	40.06%	0%	<b>40.06%</b>
Eastland	31.16%	10.53%	0%	<b>41.69%</b>
Gleneagles	9.74%	8.52%	0%	<b>18.26%</b>
Grayson	49.10%	10.75%	0.63%	<b>60.48%</b>
Greenbriar	0%	53.44%	0%	<b>53.44%</b>
Jasper	0%	17.86%	0%	<b>17.86%</b>
Liberty	0%	10.64%	0%	<b>10.64%</b>
Red River	0%	10.49%	0%	<b>10.49%</b>
Rockwall	6.14%	19.57%	0%	<b>25.71%</b>
Rockwall II	14.56%	5.65%	0%	<b>20.21%</b>
Southfork	0%	7.30%	0%	<b>7.30%</b>
Stratford	0%	69.05%	0%	<b>69.05%</b>
Loan Funding VII (aka Valhalla)	0%	1.83%	0%	<b>1.83%</b>
Westchester	0%	44.38%	0%	<b>44.38%</b>

---

<sup>1</sup> Class E Certificates for Liberty CLO, Ltd.

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

In re:

HIGHLAND CAPITAL MANAGEMENT, L.P.

Debtors.

Chapter 11

Case No. 19-34054 (SGJ11)

(Jointly Administered)

**ORDER GRANTING MOTION FOR ORDER IMPOSING TEMPORARY  
RESTRICTIONS ON DEBTOR’S ABILITY, AS PORTFOLIO  
MANAGER, TO INITIATE SALES BY NON-DEBTOR CLO VEHICLES**

Upon the Motion (the “**Motion**”),<sup>1</sup> filed by Highland Capital Management Fund Advisors, L.P. (“**HCMFA**”) and NexPoint Advisors, L.P. (“**NexPoint**,” and together with HCMFA, the “**Advisors**”), and Highland Income Fund, NexPoint Strategic Opportunities Fund, and NexPoint Capital, Inc. (together, the “**Funds**”), seeking an order, pursuant to sections 105(a), 363, and 1107 of the Bankruptcy Code, imposing temporary restrictions on the Debtor’s

<sup>1</sup> Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Motion.



ability to initiate sales as portfolio manager (or other similar capacity) for certain non-debtor investment

vehicles (the “**CLOs**”); and upon the Declaration of Dustin Norris (the “**Declaration**”); and the Court, having reviewed the Motion and the Declaration; and due and sufficient notice of the Motion having been given; and it appearing that no other or further notice need be provided; and upon the record before the Court; and a hearing having been held on the Motion; and it appearing to the Court that good cause exists to grant the relief requested by the Motion;

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED as set forth herein.
2. For a period of thirty days, commencing on the date hereof, the Debtor, in its capacity as portfolio manager or such other similar role with respect to the CLOs, is hereby prohibited from causing the CLOs to engage in any asset sales until January \_\_\_, 2021.
3. The Court shall retain jurisdiction over all matters involving the enforcement, implementation and interpretation of this Order.

### END OF ORDER ###

Submitted by:

K&L Gates LLP  
/s/ Artoush Varshosaz  
Artoush Varshosaz (TX Bar No. 24066234)  
1717 Main Street, Suite 2800  
Dallas, TX 75201  
Tel: (214) 939-5659  
artoush.varshosaz@klgates.com

Stephen G. Topetzes (*pro hac vice*)  
1601 K Street, NW  
Washington, DC 20006-1600  
Tel: (202) 778-9328  
stephen.topetzes@klgates.com

James A. Wright III (*pro hac vice*)  
1 Lincoln Street  
Boston, MA 02110  
Tel: (617) 261-3193  
james.wright@klgates.com

*Counsel for Highland Capital Management Fund Advisors, L.P.,  
NexPoint Advisors, L.P., Highland Income Fund, NexPoint  
Strategic Opportunities Fund, and NexPoint Capital, Inc.*